

REFERENCE TITLE: tax incentives; petroleum suppliers; commission

State of Arizona
Senate
Forty-seventh Legislature
Second Regular Session
2006

SB 1503

Introduced by
Senators Martin, Blendu: Flake, Tibshraeny; Representatives Stump,
Yarbrough

AN ACT

AMENDING SECTION 42-12006, ARIZONA REVISED STATUTES; AMENDING SECTION 43-222, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2005, CHAPTER 12, SECTION 1, CHAPTER 264, SECTION 1, CHAPTER 316, SECTION 2 AND CHAPTER 317, SECTION 10; REPEALING SECTION 43-222, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2005, CHAPTER 292, SECTION 1; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1085; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1183; CHANGING THE DESIGNATION OF TITLE 44, CHAPTER 9, ARTICLE 18, ARIZONA REVISED STATUTES, TO "PETROLEUM INDUSTRY"; AMENDING TITLE 44, CHAPTER 9, ARTICLE 18, ARIZONA REVISED STATUTES, BY ADDING SECTION 44-1374.01; RELATING TO PETROLEUM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 42-12006, Arizona Revised Statutes, is amended to
3 read:

4 **42-12006. Class six property**

5 For purposes of taxation, class six is established consisting of:

6 1. Noncommercial historic property as defined in section 42-12101 and
7 valued at full cash value.

8 2. Real and personal property that is located within the area of a
9 foreign trade zone or subzone established under 19 United States Code section
10 81 and title 44, chapter 18, that is activated for foreign trade zone use by
11 the district director of the United States customs service pursuant to 19
12 Code of Federal Regulations section 146.6 and that is valued at full cash
13 value. Property that is classified under this paragraph shall not thereafter
14 be classified under paragraph 7 of this section.

15 3. Real and personal property and improvements that are located in a
16 military reuse zone that is established under title 41, chapter 10, article 3
17 and that is devoted to providing aviation or aerospace services or to
18 manufacturing, assembling or fabricating aviation or aerospace products,
19 valued at full cash value and subject to the following terms and conditions:

20 (a) Property may not be classified under this paragraph for more than
21 five tax years.

22 (b) Any new addition or improvement to property already classified
23 under this paragraph qualifies separately for classification under this
24 paragraph for not more than five tax years.

25 (c) If a military reuse zone is terminated, the property in that zone
26 that was previously classified under this paragraph shall be reclassified as
27 prescribed by this article.

28 (d) Property that is classified under this paragraph shall not
29 thereafter be classified under paragraph 4 or 7 of this section.

30 4. Real and personal property and improvements that are located in an
31 enterprise zone, that are owned or used by a small manufacturing business
32 that is certified by the department of commerce pursuant to section
33 41-1525.01 and that are valued at full cash value, subject to the following
34 terms and conditions:

35 (a) Property may not be classified under this paragraph for more than
36 five tax years.

37 (b) Property that is classified under this paragraph shall not
38 thereafter be classified under paragraph 3 or 7 of this section.

39 5. Real and personal property and improvements or a portion of such
40 property comprising a qualified environmental technology manufacturing,
41 producing or processing facility as described in section 41-1514.02, valued
42 at full cash value and subject to the following terms and conditions:

43 (a) Property shall be classified under this paragraph for twenty tax
44 years from the date placed in service.

1 (b) Any addition or improvement to property already classified under
2 this paragraph qualifies separately for classification under this subdivision
3 for an additional twenty tax years from the date placed in service.

4 (c) After revocation of certification under section 41-1514.02,
5 property that was previously classified under this paragraph shall be
6 reclassified as prescribed by this article.

7 (d) Property that is classified under this paragraph shall not
8 thereafter be classified under paragraph 7 of this section.

9 6. That portion of real and personal property that is used on or after
10 January 1, 1999 specifically and solely for remediation of the environment by
11 an action that has been determined to be reasonable and necessary to respond
12 to the release or threatened release of a hazardous substance by the
13 department of environmental quality pursuant to section 49-282.06 or pursuant
14 to its corrective action authority under rules adopted pursuant to section
15 49-922, subsection B, paragraph 4 or by the United States environmental
16 protection agency pursuant to the national contingency plan (40 Code of
17 Federal Regulations part 300) and that is valued at full cash
18 value. Property that is not being used specifically and solely for the
19 remediation objectives described in this paragraph shall not be classified
20 under this paragraph. For the purposes of this paragraph, "remediation of
21 the environment" means one or more of the following actions:

22 (a) Monitoring, assessing or evaluating the release or threatened
23 release.

24 (b) Excavating, removing, transporting, treating and disposing of
25 contaminated soil.

26 (c) Pumping and treating contaminated water.

27 (d) Treatment, containment or removal of contaminants in groundwater
28 or soil.

29 7. Real and personal property and improvements constructed or
30 installed from and after December 31, 2004 through December 31, 2010 and
31 owned by a qualified business under section 41-1516 and used solely for the
32 purpose of harvesting, transporting or the initial processing of qualifying
33 forest products removed from qualifying projects as defined in section
34 41-1516. The classification under this paragraph is subject to the following
35 terms and conditions:

36 (a) Property may be initially classified under this paragraph only in
37 valuation years 2005 through 2010.

38 (b) Property may not be classified under this paragraph for more than
39 five years.

40 (c) Any new addition or improvement, constructed or installed from and
41 after December 31, 2004 through December 31, 2010, to property already
42 classified under this paragraph qualifies separately for classification and
43 assessment under this paragraph for not more than five years.

44 (d) Property that is classified under this paragraph shall not
45 thereafter be classified under paragraph 2, 3, 4 or 5 of this section.

1 8. REAL AND PERSONAL PROPERTY OF REFINERIES THAT ARE USED FOR THE
2 PRODUCTION OF PETROLEUM FOR FUEL AND THAT ARE VALUED AT FULL CASH VALUE.

3 Sec. 2. Section 43-222, Arizona Revised Statutes, as amended by Laws
4 2005, chapter 12, section 1, chapter 264, section 1, chapter 316, section 2
5 and chapter 317, section 10, is amended to read:

6 43-222. Income tax credit review schedule

7 Each year the joint legislative income tax credit review committee
8 shall review the following income tax credits:

9 1. In 2005, sections 43-1087, 43-1088 and 43-1175.

10 2. In 2006, sections 43-1073, 43-1089, 43-1089.01, 43-1089.02,
11 43-1090, 43-1176 and 43-1181.

12 3. In 2007, sections 43-1077, 43-1078, 43-1079, 43-1080, 43-1165,
13 43-1166, 43-1167 and 43-1169.

14 4. In 2008, sections 43-1074.01, 43-1081, 43-1168, 43-1170 and
15 43-1178.

16 5. In 2009, sections 43-1076, 43-1081.01, 43-1083, 43-1084, 43-1162
17 and 43-1170.01.

18 6. In 2010, sections 43-1075, ~~and 43-1163.~~

19 7. In 2010, sections 43-1079.01, and 43-1090.01, 43-1163, 43-1167.01
20 AND 43-1182.

21 8. 7. In 2011, ~~section~~ SECTIONS 43-1074.02, 43-1085 AND 43-1183.

22 Sec. 3. Repeal

23 Section 43-222, Arizona Revised Statutes, as amended by Laws 2005,
24 chapter 292, section 1, is repealed.

25 Sec. 4. Title 43, chapter 10, article 5, Arizona Revised Statutes, is
26 amended by adding section 43-1085, to read:

27 43-1085. Credit for petroleum suppliers

28 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2006, A
29 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR PETROLEUM
30 SUPPLIERS IN THIS STATE. THE AMOUNT OF THE CREDIT IS EQUAL TO ____ DOLLARS.

31 B. TO QUALIFY FOR THE CREDIT UNDER THIS SECTION, THE PETROLEUM
32 SUPPLIER MUST INCREASE ITS PETROLEUM STORAGE CAPACITY TO A RESERVE SUPPLY OF
33 AT LEAST TWO WEEKS UNDER ITS CURRENT RESERVE SYSTEM. A CREDIT IS NOT ALLOWED
34 UNDER THIS SECTION IF THE PETROLEUM SUPPLIER ACHIEVES THE TWO WEEK RESERVE
35 SUPPLY BY EXPANDING ANY OF ITS CURRENT FACILITIES.

36 C. IF THE ALLOWABLE CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER THIS
37 TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS
38 TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET TAXES UNDER THIS TITLE MAY
39 BE CARRIED FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS AS A
40 CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

41 D. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP AND
42 SHAREHOLDERS OF AN S CORPORATION AS DEFINED IN SECTION 1361 OF THE INTERNAL
43 REVENUE CODE, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED
44 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS

1 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
2 ALLOWED A SOLE OWNER.

3 E. A CREDIT IS NOT ALLOWED UNDER THIS SECTION ONCE A NEW PETROLEUM
4 REFINERY IS FULLY OPERATIONAL IN THIS STATE AFTER THE EFFECTIVE DATE OF THIS
5 SECTION.

6 Sec. 5. Title 43, chapter 11, article 6, Arizona Revised Statutes, is
7 amended by adding section 43-1183, to read:

8 43-1183. Credit for petroleum suppliers

9 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2006, A
10 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR PETROLEUM
11 SUPPLIERS IN THIS STATE. THE AMOUNT OF THE CREDIT IS EQUAL TO ____ DOLLARS.

12 B. TO QUALIFY FOR THE CREDIT UNDER THIS SECTION, THE PETROLEUM
13 SUPPLIER MUST INCREASE ITS PETROLEUM STORAGE CAPACITY TO A RESERVE SUPPLY OF
14 AT LEAST TWO WEEKS UNDER ITS CURRENT RESERVE SYSTEM. A CREDIT IS NOT ALLOWED
15 UNDER THIS SECTION IF THE PETROLEUM SUPPLIER ACHIEVES THE TWO WEEK RESERVE
16 SUPPLY BY EXPANDING ANY OF ITS CURRENT FACILITIES.

17 C. IF THE ALLOWABLE CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER THIS
18 TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS
19 TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET TAXES UNDER THIS TITLE MAY
20 BE CARRIED FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS AS A
21 CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

22 D. CO-OWNERS OF A BUSINESS, INCLUDING CORPORATE PARTNERS IN A
23 PARTNERSHIP, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED
24 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS
25 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
26 ALLOWED A SOLE OWNER.

27 E. A CREDIT IS NOT ALLOWED UNDER THIS SECTION ONCE A NEW PETROLEUM
28 REFINERY IS FULLY OPERATIONAL IN THIS STATE AFTER THE EFFECTIVE DATE OF THIS
29 SECTION.

30 Sec. 6. Heading change

31 The article heading of title 44, chapter 9, article 18, Arizona Revised
32 Statutes, is changed from "CONFIDENTIALITY OF PETROLEUM INDUSTRY INFORMATION"
33 to "PETROLEUM INDUSTRY".

34 Sec. 7. Title 44, chapter 9, article 18, Arizona Revised Statutes, is
35 amended by adding section 44-1374.01, to read:

36 44-1374.01. Petroleum supply commission

37 A. THE PETROLEUM SUPPLY COMMISSION IS ESTABLISHED CONSISTING OF THE
38 FOLLOWING MEMBERS:

39 1. ONE MEMBER WHO IS APPOINTED BY THE SPEAKER OF THE HOUSE OF
40 REPRESENTATIVES,

41 2. ONE MEMBER WHO IS APPOINTED BY THE PRESIDENT OF THE SENATE.

42 3. ONE MEMBER WHO IS APPOINTED BY THE GOVERNOR.

43 4. ONE MEMBER WHO IS APPOINTED BY THE GOVERNOR AND WHO REPRESENTS THE
44 PETROLEUM INDUSTRY.

1 B. APPOINTED MEMBERS SERVE AT THE PLEASURE OF THE PERSON WHO MADE THE
2 APPOINTMENT.

3 C. THE COMMISSION SHALL SELECT A CHAIRPERSON AND A VICE-CHAIRPERSON
4 FROM AMONG THE COMMISSION'S MEMBERSHIP.

5 D. COMMISSION MEMBERS ARE ELIGIBLE TO RECEIVE COMPENSATION PURSUANT TO
6 SECTION 38-611 AND ARE ELIGIBLE FOR REIMBURSEMENT OF EXPENSES PURSUANT TO
7 TITLE 38, CHAPTER 4, ARTICLE 2.

8 E. THE COMMITTEE SHALL ADOPT RULES PURSUANT TO TITLE 41, CHAPTER 6 TO
9 PROVIDE PROCEDURES FOR PETROLEUM SUPPLIERS IN THIS STATE WHEN A SUPPLIER
10 REDUCES ITS PETROLEUM RESERVE UNDER A TWO WEEK RESERVE SUPPLY.

11 Sec. 8. Purpose

12 Pursuant to section 43-223, Arizona Revised Statutes, the legislature
13 enacts sections 43-1085 and 43-1183, Arizona Revised Statutes, as added by
14 this act, to encourage petroleum suppliers in this state to increase their
15 petroleum reserves to a reserve supply of at least two weeks.